



## ENERGY STAR *Small Business*™ . . .

# Electric Utility Deregulation

## *Be Prepared—Think Energy Efficiency*

## WHAT IS DEREGULATION?

**E**lectric utilities are preparing to follow the airline and telecommunications industries into an era of market competition. The ultimate goal, as with other deregulated industries, is to bring choice, savings, and new services to consumers.

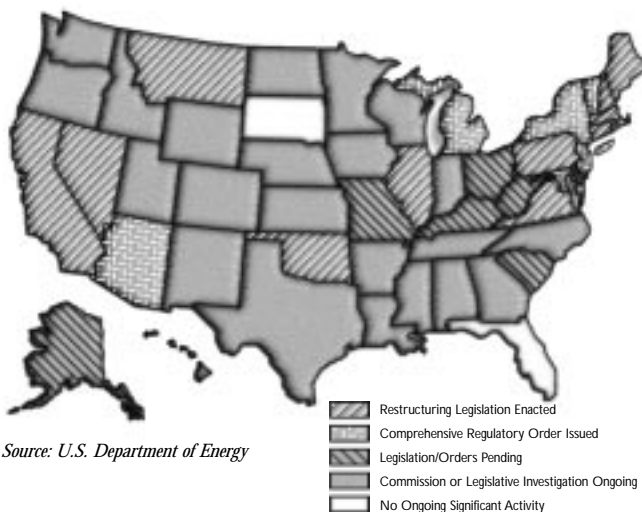
Deregulation mostly affects the *generation* of electricity. The *delivery* of electricity from power plants to homes and businesses will continue to operate as a regulated monopoly. For small businesses like yours, the most important aspect of deregulation will be your ability to purchase electricity directly from the retailer that best suits your budget.

The map on this page shows the status of electric utility deregulation in the United States as of June 1998. As you can see, deregulation is gaining momentum throughout the nation.

### Should You Wait For Deregulation Before Implementing Energy-Efficiency Upgrades?

No! Your business can save from energy efficiency with or without deregulation.

**What if prices drop?** Many observers believe that electric deregulation will cause most prices to drop as they did in the telecommunications industry. If so, upgrading with energy-efficient techno-



logies will help you optimize cost savings by further slashing your electric bill. Any change in investment performance from reduced prices will likely be minor. (See “TECH TIP” illustration on the reverse side.)

**And if prices increase?** Others believe, however, that deregulation will ultimately raise prices for small businesses because they cost more to serve than large businesses. Investing in energy-efficient technology now will help temper any potential increases later.

If you live in a state that is not currently considering deregulation, then energy efficiency becomes your best option for electricity cost savings. Energy efficiency improves profits, protects the environment, increases asset values, and enhances employee productivity at any electricity price.

## WORD OF MOUTH

*Strengthen your relationship with those whom you do business with.*

### SHARE THE NEWS!

*Energy efficiency rewards good business sense with or without electricity deregulation. Waiting for deregulation before upgrading means lost profits!*



# TECH TIP

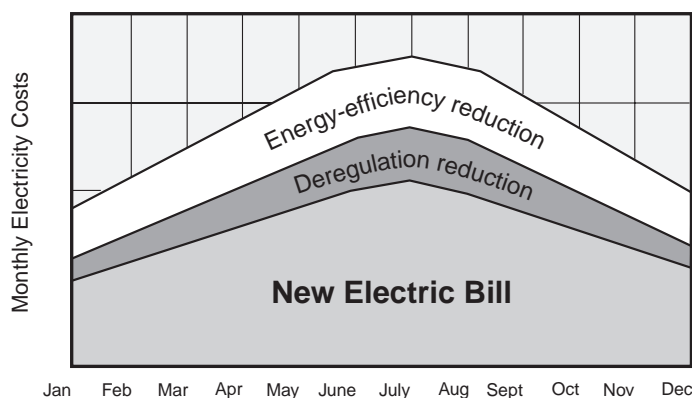
Let's say you're interested in reducing your operating costs by upgrading with energy-efficient technology, but you're hesitating because you believe deregulation will reduce your electricity rates and make your energy-efficiency investment less attractive. A typical reduction due to deregulation might save you 10 percent on your rates. This reduction will cause an investment that has a 3-year payback with your present rates to have a 3-year, 4-month payback under your new rates. You will add only four months to the time when your savings are in the clear. In the meantime, for each day that passes without energy-efficiency upgrades, you're losing savings that go to this year's bottom line.

The following workbook will help you calculate how a reduction in electricity rates will affect the payback for your energy-efficiency investment.

$$\text{Simple Payback (year)} = \text{Initial Cost} \div \text{Cost Savings Per Year}$$

Example Calculation	Now You Try
<b>Original Payback:</b> 3 yrs. @ 10% decrease in electric costs	<b>Original Payback:</b> ____ yrs. @ ____% decrease in electric costs
<b>Payback Adjustment:</b> 3 yrs. + (3 yrs. x (10 ÷ 100))	<b>Payback Adjustment:</b> ____ yrs. + (____ yrs. x (____ ÷ 100))
<b>New Payback:</b> 3.3 yrs.	<b>New Payback:</b> ____ yrs.

Are you expecting deregulation to reduce your costs in the future? Energy-efficiency investments will reduce them now and later, too!



The lesson is: Take your energy-efficiency savings now. Add deregulation savings to your energy-efficiency savings when they become available.

## More Information On Deregulation

State Electric Utility  
Deregulation Activity  
[www.eia.doe.gov/cneaf/electricity/chg\\_str/tab5rev.html](http://www.eia.doe.gov/cneaf/electricity/chg_str/tab5rev.html)

Electric Competition  
Update  
[www.sel.com/retail.html](http://www.sel.com/retail.html)

State Utility  
Commission Web site  
[www.fen-online.com/state.htm](http://www.fen-online.com/state.htm)

Information Network  
for Electricity Users  
[www.utilityguide.com](http://www.utilityguide.com)



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